

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2010
(Unaudited)

KIM R. WALLIN, CMA, CFM, CPA
STATE CONTROLLER
CARSON CITY, NEVADA



State of Nevada
Office of State Controller
Carson City, Nevada 89701-4786

Kim R. Wallin, CMA, CFM, CPA
State Controller

Office: (775) 684-5777
Fax: (775) 684-5696

February 28, 2011

The Honorable Brian Sandoval
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Sandoval:

Pursuant to NRS 387.013, I am pleased to provide you with the financial statements of the Permanent School Fund for the quarter ending December 31, 2010.

Sincerely,

A handwritten signature in cursive script that reads "Kim R. Wallin".

Kim R. Wallin, CMA, CFM, CPA
State Controller

KRW:dt

Legislative Counsel Bureau	(2)
State Board of Education	(2)
Department of Administration	(2)
Department of Conservation	(2)
Department of Education	(1)
Office of the State Treasurer	(1)
State Board of Finance	(1)
Nevada Tax Commission	(1)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
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BALANCE SHEETS
December 31, 2010 and 2009
(Unaudited)

Exhibit A

Assets	<u>12/31/10</u>	<u>12/31/09</u>
Cash and cash equivalents	\$ 6,905,431	\$ 10,623,761
Accrued interest		
Investments	2,089,211	2,124,482
Treasurer	<u>6,458</u>	<u>37,385</u>
Total accrued interest	<u>2,095,669</u>	<u>2,161,867</u>
Receivables		
Land sales	78,048	68,016
Fines and penalties	431,842	524,840
Purchased interest	<u>17,480</u>	<u>24,707</u>
Total receivables	<u>527,370</u>	<u>617,563</u>
Investments		
U.S. Government securities	<u>297,325,199</u>	<u>289,022,349</u>
Total Assets	<u><u>\$ 306,853,669</u></u>	<u><u>\$ 302,425,540</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 3,377,161	\$ 6,361,727
Due to heirs	<u>620,503</u>	<u>467,341</u>
Total liabilities	<u>3,997,664</u>	<u>6,829,068</u>
 Fund balances		
Nonspendable: Permanent Fund Principal	<u>302,856,005</u>	<u>295,596,472</u>
Total Liabilities and Fund Balances	<u><u>\$ 306,853,669</u></u>	<u><u>\$ 302,425,540</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarter and six months ended December 31, 2010
(Unaudited)

Exhibit B

Revenues	Quarter Ended 12/31/2010	Six Months Ended 12/31/2010
Fines - State Penal Laws		
Justice Courts	\$ 1,188,873	\$ 2,515,088
District Courts	123,852	302,672
Other Fines and Penalties	400	1,001
Total fines	1,313,125	2,818,761
Investment income (loss)	(1,470,638)	1,237,682
Land sales	78,048	137,488
Escheated estates	19,357	19,884
Miscellaneous	1,840	5,045
Total revenues	(58,268)	4,218,860
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	1,470,638	(1,237,682)
Net change in fund balances	1,412,370	2,981,178
Fund balances, beginning of period	301,443,635	299,874,827
Fund balances, December 31	\$ 302,856,005	\$ 302,856,005

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND
GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Bond guarantees at December 31, 2010 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	26,578,000.00	\$	17,034,000.00
Churchill		23,155,000.00		23,155,000.00
Douglas		24,250,000.00		19,385,000.00
Humboldt		2,950,000.00		2,950,000.00
Lincoln		6,750,000.00		5,927,000.00
Lyon		44,875,000.00		34,985,000.00
Mineral		4,425,000.00		3,105,000.00
Nye		42,900,000.00		35,690,000.00
Pershing		10,135,000.00		5,725,000.00
Storey		10,950,000.00		10,280,000.00
White Pine		4,825,000.00		3,890,000.00

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended December 31, 2010, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$11,670,113. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

For the quarter ended December 31, 2010, funds held by the State Treasurer earned interest at an effective rate of .18 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fund Balance:

Nonspendable fund balance cannot be spent, and represents the permanent fund principal which must remain in the fund in perpetuity under the State Constitution. Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, is effective beginning with fiscal year 2011. This resulted in a change in fund balance terminology from reserved to nonspendable.

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SCHEDULE OF INVESTMENTS
December 31, 2010

Schedule 1

Fixed Income Securities	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fed. Farm Credit Bank	4.875	02/18/11	\$ 7,000,000	\$ 6,986,210	\$ 7,039,690
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,392,000
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,179,950
Fed. Farm Credit Bank	2.500	02/17/15	12,000,000	12,170,400	12,214,560
Fed. Farm Credit Bank	2.850	03/16/15	7,450,000	7,571,435	7,535,973
Fed. Farm Credit Bank	2.900	04/09/15	13,418,000	13,677,974	13,589,080
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,806,960
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	11,065,900
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	14,952,183
Fed. Home Loan Bank Note	2.200	06/30/15	25,000,000	24,993,750	25,079,500
Fed. Home Loan Bank Note	2.200	07/15/15	20,000,000	20,000,000	20,050,000
Fed. Home Loan Bank Note	2.900	07/28/17	20,000,000	20,050,000	20,022,600
Fed. Home Loan Bank Note	1.820	08/24/15	11,000,000	11,000,000	10,912,990
Fed. Home Loan Bank Note	1.820	08/24/15	11,000,000	11,000,000	10,912,990
Fed. Home Loan Bank Note	1.820	09/30/15	21,000,000	21,000,000	20,616,750
Fed. Home Loan Bank Note	2.150	10/26/17	12,000,000.00	12,000,000	11,454,600
Fed. Home Loan Bank Note	0.750	12/21/11	17,000,000.00	17,066,640	17,058,310
Fed. Home Loan Mgt. Corp.	1.625	04/26/11	5,275,000.00	5,299,370	5,298,843
Fed. Home Loan Mgt. Corp.	1.875	03/08/13	26,000,000	26,028,600	26,066,560
Fed. National Mortgage Assn.	2.125	01/25/13	16,000,000	16,131,200	16,013,760
Fed. National Mortgage Assn.	1.800	03/15/13	25,000,000	25,000,000	25,062,000
Total Investments			<u>\$ 292,993,000</u>	<u>\$ 295,953,464</u>	<u>\$ 297,325,199</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2010

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2010	Six Months Ended 12/31/2010
Carson City	\$ 3,724	\$ 9,538
Churchill	16,917	42,646
Clark	677,663	1,467,625
Douglas	7,183	15,214
Elko	43,984	80,342
Esmeralda	15,463	38,637
Eureka	1,103	1,428
Humboldt	-	-
Lander	2,599	4,609
Lincoln	-	1,425
Lyon	15,121	32,466
Mineral	203	459
Nye	56,037	111,622
Pershing	100	690
Storey	-	-
Washoe	346,921	702,427
White Pine	1,855	5,960
Total	\$ 1,188,873	\$ 2,515,088

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and six months ended December 31, 2010

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/2010	Six Months Ended 12/31/2010
Carson City	\$ 3,038	\$ 14,859
Churchill	1,398	2,540
Clark	54,728	108,316
Douglas	5,645	11,024
Elko	19,172	55,095
Esmeralda	-	-
Eureka	-	-
Humboldt	1,049	2,539
Lander	450	2,635
Lincoln	370	5,470
Lyon	2,074	4,423
Mineral	75	100
Nye	2,400	3,662
Pershing	358	3,156
Storey	-	-
Washoe	29,671	81,900
White Pine	3,424	6,953
Total	<u>\$ 123,852</u>	<u>\$ 302,672</u>

STATE OF NEVADA
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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended December 31, 2010

Schedule 4

	Rate of Interest	Face Amount	Investment Income
Interest on investments:			
Fed. Farm Credit Bank	4.875 %	\$ 7,000,000	\$ 97,635
Fed. Farm Credit Bank	5.875	8,000,000	134,472
Fed. Farm Credit Bank	4.250	7,000,000	12,396
Fed. Farm Credit Bank	2.500	5,000,000	31,944
Fed. Farm Credit Bank	1.850	10,000,000	46,250
Fed. Farm Credit Bank	1.850	10,000,000	46,250
Fed. Farm Credit Bank	2.770	12,000,000	96,027
Fed. Farm Credit Bank	2.850	7,450,000	53,081
Fed. Farm Credit Bank	2.900	13,418,000	104,847
Fed. Home Loan Bank Note	2.200	25,000,000	137,500
Fed. Home Loan Bank Note	4.750	7,000,000	86,819
Fed. Home Loan Bank Note	4.875	10,000,000	125,939
Fed. Home Loan Bank Note	4.875	13,850,000	172,548
Fed. Home Loan Bank Note	2.200	20,000,000	111,222
Fed. Home Loan Bank Note	2.900	20,000,000	149,833
Fed. Home Loan Bank Note	1.820	11,000,000	53,943
Fed. Home Loan Bank Note	1.820	11,000,000	53,943
Fed. Home Loan Bank Note	1.820	21,000,000	95,550
Fed. Home Loan Bank Note	2.150	12,000,000	46,583
Fed. Home Loan Bank Note	0.750	17,000,000	1,063
Fed. National Mortgage Assoc.	2.125	16,000,000	90,667
Fed. National Mortgage Assoc.	1.800	25,000,000	113,750
Fed. Home Loan Mgt. Corp.	1.625	5,275,000	476
Fed. Home Loan Mgt. Corp.	1.875	26,000,000	132,708
Treasurer's interest distribution			6,458
Total interest			2,001,904
Change in fair value of investments			(3,471,065)
Less: custodial fees			(1,477)
Net investment income			\$ (1,470,638)